

STATEMENT OF PURPOSE

RS21645

Current law provides that a permit shall be held only by persons actively engaged in making wholesale sales of cigarettes subject to tax. However, cigarette manufacturers and wholesalers may move cigarettes into and around the state of Idaho tax exempt, (e.g., to Indians, to military, or to other Idaho licensed wholesalers). Although a tax stamp is not applied to tax exempt cigarettes the movement of the product is still required to be reported on a cigarette tax return. Because no tax stamp is applied, some taxpayers do not understand that even though the cigarettes are not subject to tax, a permit is still required. To prevent inadvertent non-compliance, this technical change clarifies that a permit shall be held only by persons actively engaged in making wholesale sales. This change also helps to protect Idaho's interest in the approximate \$25,000,000 share of income it receives annually from the Master Settlement Agreement entered into with the major tobacco manufacturers by protecting the Tax Commission's ability to track all cigarette movement in the state.

FISCAL NOTE

This bill has no fiscal impact.

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